



San Diego City Attorney **MICHAEL J. AGUIRRE**

NEWS RELEASE

FOR IMMEDIATE RELEASE: May 11, 2005*

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STATEMENT BY CITY ATTORNEY MICHAEL AGUIRRE *MEA AND CITY OF SAN DIEGO AGREEMENT*

When I took office, one of my goals was to make sure the hardworking men and women of the City of San Diego would have a pension waiting for them when they retired. But incredibly, last night's tentative 3 year agreement between the Municipal Employees' Association (MEA) and the City Council does not address the huge \$1.4 billion unfunded liability in the pension plan. This deal is bad for the City, its employees and for San Diego taxpayers for the following reasons:

1. The deal does not include a roll back of existing illegally granted pension benefits for current employees: discounted pension service credits, the notorious DROP program and retroactive retirement enhancements. According to the pension system's actuary, the agreement struck by the unions will have little effect on the Unfunded Actuarially Accrued Liability (UAAL) in the pension plan. The elimination of these benefits would have reduced the UAAL by about \$721 million.
2. By refusing to give up on the illegal pension benefits, MEA has foreclosed any opportunity the City may have had in gaining the public support needed to fund the legal pension benefits. On the horizon are tax and fee increases that the public will have to shoulder in order to fund the mistakes of City and Union officials.
3. Any reduction in the UAAL is dependent upon the City's ability to sell pension obligation bonds. However, even with a completed audit the current financial condition of the City precludes their sale due to what will surely be prohibitively high interest rates.
4. While the agreement calls for an employee pay freeze in the first two years, this is undermined by an across the board pay increase of 4% in the third year.

Finally, I read with interest today the story on United Airlines' termination of their employees' pension benefits. The options available to United Airlines' employees are similar to those facing City employees; namely, either accept a smaller percentage of the pension benefits that were promised, or go into bankruptcy and face an arbitrary reduction. Unfortunately for the City employees, unlike United Airlines, there is no Pension Benefit Guaranty Corporation willing to pick up the tab. As long as our City leadership continues to perpetuate the mistakes of the past, we will continue our march towards fiscal insolvency.

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